



STATE OF NEW JERSEY
Board of Public Utilities
Two Gateway Center
Newark, NJ 07102
www.bpu.state.nj.us

IN THE MATTER OF THE JOINT PETITION OF APPLIED)
WASTEWATER MANAGEMENT, INC., AND VALLEY)
ROAD SEWERAGE COMPANY FOR APPROVAL OF)
(1) MUNICIPAL CONSENT BY THE TOWNSHIP OF)
TEWKSBURY, HUNTERDON COUNTY, NEW JERSEY;)
(2) ACQUISITION OF CERTAIN ASSETS OF THE)
VALLEY ROAD SEWERAGE COMPANY LOCATED)
WITHIN THE PROPOSED SERVICE AREA; (3) FOR)
APPROVAL OF AN INCREASE IN RATES FOR SERVICE)
CHARGED TO CUSTOMERS LOCATED WITHIN THE)
AREA COVERED BY THE MUNICIPAL CONSENT; AND)
(4) FOR APPROVAL OF DISCONTINUANCE OF)
SERVICE)

WATER & WASTEWATER

ORDER

DOCKET NO. WE03100807

(SERVICE LIST ATTACHED)

BY THE BOARD:

On October 14, 2003, Applied Wastewater Management, Inc. (Applied Wastewater or Company) and Valley Road Sewerage Company (Valley Road), both public utilities subject to the jurisdiction of the Board of Public Utilities (Board), filed a joint four-part petition. The petition requested Board approval of: (1) a municipal consent granted by the Township of Tewksbury (Township) on July 8, 2003, to Applied Wastewater to own, operate and maintain an existing wastewater collection, treatment and disposal system currently owned by Valley Road and located in a portion of the Township referred to as Pottersville; (2) the acquisition by Applied Wastewater of certain assets of Valley Road associated with the Pottersville system; (3) a rate increase for customers to be served by the Pottersville system after its acquisition by Applied Wastewater; and (4) the discontinuance of public utility wastewater services by Valley Road upon completion of the sale of the Pottersville system to Applied Wastewater. Valley Road is in receivership, and, pursuant to a 1994 Board Order (Docket No. WS94010017), Robert G. Goode has been the appointed Receiver for Valley Road. There are approximately 105 customers in the Pottersville system that will be served by Applied Wastewater.

After appropriate notice, a hearing in this matter, pursuant to N.J.S.A. 48:2-14, was held on March 2, 2004, at the Board's Newark offices before Donna Pereksta Luhn, Esq., the Board's duly designated Hearing Examiner.

At the hearing, Applied Wastewater relied upon the testimony of Nelson Alvarez, Director of Operations at Applied Wastewater. On October 11, 2001, Mr. Alvarez was asked to examine the Pottersville system so as to report on the system's condition and to determine what was necessary to bring the system into compliance with industry standards. Mr. Alvarez entered into evidence certain photographs [Exhibit P-5] which comprised a series of pictures of

the Pottersville system taken on two separate occasions in October 2001 and February 2004. Mr. Alvarez explained, in detail, the state of disrepair of the Pottersville system as of October 2001. He then proceeded to describe the subjects of the February 2004 photographs, which Mr. Alvarez opined were even worse than the state of significant disrepair in existence back in October 2001. In October 2001, there were excessive amounts of solids in the facilities and lack of proper treatment to allow the solids to outflow, washing sludge out into the nearby stream. Other components of the Pottersville system were badly in need of repair, including the floating aerator and the grinder pump. Mr. Alvarez's overall assessment of the facility was that it was in poor condition.

The Pottersville system is in violation of its New Jersey Pollutant Discharge Elimination System (NJPDES) permit primarily dealing with effluent problems. Applied Wastewater has had several meetings with the Department of Environmental Protection (DEP) to discuss these violations and to form a plan of action to correct said violations to bring the system into compliance once Applied Wastewater takes over the system. Compliance will be accomplished through the issuance of an Administrative Consent Order (ACO). While the ACO has not been issued, it has been negotiated with the DEP. Mr. Strauss, the Company's attorney, indicated that once Board approval was received, Applied Wastewater would move forward through the ACO. The ACO would give Applied Wastewater one year to complete the necessary work on the Pottersville system.

By letter dated March 22, 2004, the Division of the Ratepayer Advocate (Ratepayer Advocate) submitted a letter concerning this docketed matter. The Ratepayer Advocate is not opposed to Board approval of this matter and recommended that the Board Order include the conditions listed as #1 and #2 below.

The Board, after review of the record in this matter, HEREBY APPROVES the municipal consent granted to Applied Wastewater Management, Inc. for the provision of wastewater services to the Pottersville system in the Township of Tewksbury. Further, the Board HEREBY APPROVES the acquisition of certain assets of the Valley Road Sewerage Company to Applied Wastewater Management, Inc. The Board FINDS that the discontinuance of service by Valley Road Sewerage Company upon completion of the sale of the Pottersville system to Applied Wastewater Management, Inc. will not have an adverse impact on the public convenience and necessity.

The Board DISMISSES Applied Wastewater's request for a rate increase. The Board HEREBY ORDERS that all wastewater service provided to the customers of the Pottersville system within the Township of Tewksbury continue to be billed at the rates contained in the current tariff of the Valley Road Sewerage Company approved by and on file with the Board. Said rates shall remain in effect until modified by the Board. Any determination concerning a rate increase will be made in the context of the pending rate petition at the Office of Administrative Law (Docket No. WR03030222). The public notice that was published in connection with the rate matter at Docket No. WR03030222, included the subject of this municipal consent and noticed the Valley Road customers of the pending rate increase application as well as the proposed rates.

The APPROVALS granted hereinabove shall be subject to the following conditions:

1. This Order shall not be construed as directly or indirectly fixing for any purposes whatsoever the value of any tangible or intangible assets now owned or hereafter to be owned by Applied Wastewater Management, Inc.

2. This Order shall not effect nor in any way limit the exercise of the authority of this Board or of this State in any future petition or in any proceedings with respect to rates, franchises, services, financing, accounting, capitalization, depreciation, or in any other matters affecting Applied Wastewater Management, Inc.
3. In an appropriate proceeding, Petitioner shall have the burden of demonstrating whether, and to what extent, any costs associated with this petition shall be allocated to ratepayers. Approval of this municipal consent does not include authorization to include in rate base the specific assets that will be completed as a result of the new territory.
4. Approval of this municipal consent ordinance does not constitute Board approval of any costs or expenses associated with this petition. Any determination as to the appropriateness or reasonableness of the costs and expenses related to the franchise, including but not limited to, cost of construction, contributions in aid of construction, the cost of connection, or any related capital improvements, and the allocation of such costs and expenses, shall be made in an appropriate subsequent proceeding.

DATED: 5/25/04

BOARD OF PUBLIC UTILITIES
BY:

(SIGNED)

JEANNE M. FOX
PRESIDENT

(SIGNED)

FREDERICK F. BUTLER
COMMISSIONER

(SIGNED)

CAROL J. MURPHY
COMMISSIONER

(SIGNED)

CONNIE O. HUGHES
COMMISSIONER

(SIGNED)

JACK ALTER
COMMISSIONER

ATTEST:

(SIGNED)

KRISTI IZZO
SECRETARY

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MANAGEMENT, INC., AND VALLEY ROAD SEWERAGE COMPANY
FOR APPROVAL OF (1) MUNICIPAL CONSENT BY THE TOWNSHIP OF
TEWKSBURY, HUNTERDON COUNTY, NEW JERSEY; (2) ACQUISITION
OF CERTAIN ASSETS OF THE VALLEY ROAD SEWERAGE COMPANY
LOCATED WITHIN THE PROPOSED SERVICE AREA; (3) FOR APPROVAL
OF AN INCREASE IN RATES FOR SERVICE CHARGED TO CUSTOMERS
LOCATED WITHIN THE AREA COVERED BY THE MUNICIPAL CONSENT;
AND (4) FOR APPROVAL OF DISCONTINUANCE OF SERVICE

Docket No. WE03100807

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